

APRIL/MAY 2024

23PCM11/23PCP11 — BUSINESS FINANCE

Time : Three hours

Maximum : 75 marks

SECTION A — (10 × 2 = 20 marks)

Answer ALL questions.



1. Define Business finance.
2. Explain present value.
3. State the financial risk.
4. Why is return an important consideration for investment?
5. Give the meaning of startup financing.
6. Write a note on lessor and lessee.
7. What is ageing schedule?
8. State the meaning of Optimum cash balance.
9. What is profitability index?
10. Write a short note on capital rationing.

15. (a) A company can make either of the two investment at the beginning of year 1. Using the profitability index method to evaluate the profitability of the investments whose details are given below:

Particulars	Project A	Project B
Initial investment	10,000	12,000
Net income (after depreciation and tax)		
End of year 1	1,500	1,000
End of year 2	2,500	2,500
End of year 3	3,500	3,500
End of year 4	500	1,000

The life of each project is estimated to be 4 years. The cost of finance of the project is 10%. The present value of Rs 1 to be received at the end of each year at 10% p.a is given below

Year	1	2	3	4
PV Factor	0.91	0.83	0.75	0.68

Or

- (b) What are the internal sources of finance?

SECTION C — (3 × 10 = 30 marks)

Answer any THREE questions.

16. Calculate the annuity amount of Rs 2,00,000 is invested for 2 years at 12% compounded
- annually,
 - semi-annually,
 - quarterly and
 - monthly.
17. What are the factors that determine the return? Describe the various methods of measuring return.
18. Discuss the advantages and disadvantages of leasing.
19. In order to increase sales and profits, the sales manager of a company proposes to sell goods to a group of new customers with 10% risk of non-payment. This group would require 3 months credit and is likely to increase sales by Rs 2,00,000 p.a production an selling expenses amount to 70% of sales and the income tax rate is 50%. The company's minimum require rate of return is 20% Should the sales manager's proposal to accepted? Find the degree of risk f non-payment that the company should be willing to assume of the require rate f return is
- 30%
 - 40%
 - 50%

